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February 15, 1994

BY HAND DELIVERY

Mr. William Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

Re: **MM Docket No. 92-266**
Supplemental Information re: Programming Costs for
Large Cable Operators Versus Small Operators

Dear Mr. Caton:

On behalf of the Coalition of Small System Operators, enclosed is an analysis of small operator versus large operator programming costs prepared by a member of the Coalition of Small System Operators. This analysis was prepared in the context of a proposed merger or joint venture between the small operator and the large operator. The purpose of the analysis was to determine the amount that the small operator could save on programming costs if it were able to benefit from the programming discounts available to the large operator (with more than one million subscribers). We are not able to disclose the identity of either of the parties involved in the merger/joint venture negotiations because of a strict confidentiality agreement between the parties.

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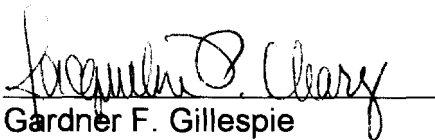
HOGAN & HARTSON

Mr. William Caton
February 15, 1994
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If you have any questions regarding this information, please contact the undersigned.

Respectfully submitted,

HOGAN & HARTSON L.L.P.

By 
Gardner F. Gillespie
Jacqueline P. Cleary

Attorneys for the Coalition of Small
System Operators

cc: Merrill Spiegel, Esq.
James W. Olson, Esq.
Andrea Williams, Esq.
William H. Johnson

[REDACTED]

RATE COMPARISON AS OF JUNE 1992
ON MONTHLY PROGRAMMING FEES PER SUBSCRIBER

[REDACTED]

<u>PROGRAMMER</u>	<u>RATE</u>	<u>RATE</u>
1. CINEMAX	\$4.13 - 4.85	3.03
2. DISNEY	5.24	4.91
3. HBO	5.90	4.53
4. SHOWTIME	4.86	4.26
5. TMC	4.51	3.40
6. QVC	.00	.00
7. HSN	.00	.00
8. A & E	.14	.09
9. AMC	.30	.16
10. BET	.08	.07
11. CMT	.07	.03
12. COMEDY CENTRAL	.09	UNKNOWN
13. CNBC	.10	.09
14. CNN	.26 - .29	.2217
15. C-SPAN	.04	.025
16. DISC	.125	.068
17. ESPN	.39 - .40	.35
18. FAMILY	.114	.094

Rate Comparison
Page Two

<u>PROGRAMMER</u>	<u>RATE</u>	<u>RATE</u>
19. HN	.00	.00
20. TLC	.06	.05
21. LIFETIME	.14	.085
22. MTV	.24	.15
23. NICK	.24	.15
24. NOST	.12	.08
25. TNN	.18	.16
26. TNT	.40	.37
27. TWC	.076 - .092	.0852
28. USA	.25	.225
29. VH-1	.05	.00
30. WGN	.10	.10
31. WTBS	.0536	.025
32. WWOR	.10	.10

RATES

As of 09-Apr-91

① Premium

Page 1

Service	1991 Rates			Subscriber			Benchmarks	Ownership Requirements	Contract Status	Assignment Language	Comments
			Joint			Total					
CINEMAX	\$3.03	\$4.67			5467		100,000 Subs	'... the equity of each System is at least 51% owned by Affiliate.'	Proposed	Prior written consent of HBO required.	
DISNEY	\$4.91	\$5.24			4326		8% TDC to Basic penetration.	'... each Cable System listed on Exhibit A is wholly owned by Affiliate or at least 51% owned by Affiliate, and (ii) that for each such Cable System, Affiliate holds a valid cable television franchise awarded by an appropriate governmental authority and that such franchise will remain in effect throughout the Term of of this Agreement.'	Proposed	Prior written consent of TDC required.	rate quoted from Exhibit B; taking average charge and discounts into consideration.
HBO	\$4.53	\$6.58			15,967		300,000 Subs	'... the equity of each System is at least 51% owned by Affiliate.'	Proposed	Prior written consent of HBO required.	5% rate increase not taken into consideration.
SHOWTIM	\$4.26	\$4.89			7,954			No specific requirements in agreement.	Signed	Prior written consent of Showtime required.	
TMC	\$3.40	\$4.75			1,923			No specific requirements in agreement.	Signed	Prior written consent of Network required.	Takes into account \$.45 rebate and \$1.20 annual marketing rebate

ANALYSIS

Prepared By:

As of 09-Apr-91

② SALE CHANNELS

Page 1

Service	1991 Rates			Subscribers			Benchmarks	Ownership Requirements	Contract Status	Assignment Language	Comments
	Base	Ad	Joint	Base	Ad	Total					
QVC	\$0.00	\$0.00	\$0.00	657,520	51,218	708,738	None	In the event that any of the Systems are cable television systems of licensees, subsidiaries, joint ventures of, and entities controlled by or under common control with, Affiliate, the term "Affiliate" shall include such licensees, subsidiaries, joint ventures of, and entities controlled by or common control with, Affiliate.	Signed	Prior written consent of QVC required.	Revenue producing service.
HSN	\$0.00	\$0.00	\$0.00	856,069	9,906	865,975	None	Rights granted to 'Affiliate (and Affiliate's licensees, assignees, subsidiaries and joint venturers), and Affiliate hereby accepts; a limited, non-exclusive license to exhibit HSC's daily retail programming.	Signed	Prior written consent of HSN required.	Revenue producing service.

ANALYSIS

Prepared By:

③ SATELLITES

Service	1991 Rates			Subscriptions			Benchmarks	Ownership Requirements	Contract Status	Assignment Language	Comments
	Per Minute	Per Hour	Per Month	Individual	Group	Total					
A & E	\$0.09	\$0.12	\$0.09	801,925	23,077	825,002	None	No specifications.	Signed	A & E has the right to approve the successors and assigns of the Cable Operator. (P7(f), Page 2)	
AMC	\$0.16	\$0.30	\$0.16	728,372	25,178	753,550	None in 1991	Affiliate represents, warrants and agrees that each of the pay television distribution system(s) set forth below (each, a "system") (i) is majority owned, controlled and managed by Affiliate, or in the alternative, at least 25% owned and (ii) is duly authorized and licensed to conduct its operations in the applicable Service Area set forth on Schedule A Attached hereto. (P2(a), Page i)	Proposed	Affiliate shall not, without the prior written consent of AMC assign the License Agreement or any of Affiliate's rights or obligations of the License Agreement. (P6, Page 6)	New deal under negotiation to reduce rates further with additional launches
BET	\$0.07	\$0.07	\$0.07	291,092	27,078	318,170	None	Affiliate represents and warrants that (i) each CATV System is controlled by Affiliate; and (ii) for each such CATV System, Affiliate holds a valid cable franchise or similar authorization awarded by an appropriate governmental authority and that such franchise or authorization will remain in effect throughout the term of this Agreement. (P10(a), Page 7)	Signed	Prior written consent of BET required	
CMTV	\$0.03	\$0.07	\$0.03	128,670	41,699	170,369	None	Any System owned, operated or managed by Affiliate or any of its entities (P2, Page 1)	Proposed	Prior written consent of CMT required	

Service	1991 Rates			1990 Rates			Benchmarks	Ownership Requirements	Contract Status	Assignment Language	Comments
	Basic	Ad	Joint	Basic	Ad	Total					
CNBC	\$0.09	\$0.09	\$0.09			18,765	18,765	75% of MSO by 4/92 Affiliate's Systems" shall mean each cable television system now or hereafter at least 51% owned by Affiliate or, in the alternative, at least 20% owned and managed by Affiliate as general manager pursuant to a management agreement and Affiliate remains fully liable for all fees incurred hereunder (all such Systems specified in Exhibit A, as amended, and collectively referred to herein as "Affiliate's Systems").	Signed	The rights and obligations of Affiliate may not be assigned, in whole or in part voluntarily or by operation of law without the prior written consent of Network which shall not be unreasonably withheld.	Rate is \$.08 through March, 1990
CNN	\$0.2217	\$0.24	\$0.2208	952,781	67,790	1,020,571	975K - 7.8% 1M - 8% 1.025M - 8.2%	51% Ownership or 20% ownership with full management and operational control (P9, Page 5)	Signed	Prior written consent of CNN required	
C-SPAN I	\$0.025	\$0.04	\$0.025	862,618	18,234	880,852	200,000 subs (See Comments)	No specifics.	Signed	Prior written consent of NCS required	Rate is \$.04 for the first 200K subs; \$.025 for remaining MSO univ.
DISCOVE	\$0.068	\$0.15	\$0.068	851,614	66,528	918,142	1,500,000 Subs	As used herein, Affiliate shall be deemed to own any cable system it desires to list as a Cable System on Exhibit A hereof if it has at least a 50% ownership interest in any such cable system. (P1(a), Page 1)	Signed	Prior written consent of Cable Ed required	
ESPN	\$0.35	\$0.38	\$0.34	958,369	67,597	1,025,966	750K - \$.03 (I) 1M - \$.04 (I)	Affiliate shall have the right to add to this Agreement cable television systems which are located in the United States and in which Affiliate owns all or substantially all of the issued and outstanding voting interests, by giving ESPN not less than fifteen days' prior written notice of its intent to add each such system, specifying in such notice the information required to complete Schedule A. (P1(a), Page 1)	Signed		\$.15 NFL Surcharge Represents volume discount
FAMILY	\$0.094	\$0.11	\$0.094	834,456	67,546	902,002	1M - 15% disc	No specifics.	Proposed	Prior written consent of FAM required	Effective rate lower with Toms River launch

Service	90 Rates			Subscribers			Benchmarks	Ownership Requirements	Contract Status	Assignment Language	Comments
	Individual	Joint	Joint	Individual	Joint	Total					
FNN	\$0.075	\$0.075	\$0.075	778,751	19,734	798,485	None	FNN hereby grants to Affiliate, subject to the provisions of this Agreement, the right to distribute the FNN Channel in any cable television system one hundred percent (100%) owned by Affiliate or its one hundred percent (100%) controlled subsidiaries (the "system(s)" as listed in Schedule A hereto and by this reference incorporated herein. (P1(a), Page 1)	Signed	Prior written consent of FNN required	Rate is \$.075 through June and \$.08 through December, 1991
HN	\$0.00	\$0.00	\$0.00	258,351	44,220	302,571	None	... Affiliate (a) owns at least 51% of such Additional System or (b) owns at least 20% of such Additional System and has full management and operational control of such Additional System whereby Affiliate, at a minimum, has full responsibility for programming and promotional decisions and is fully liable for all fees incurred hereunder. (P9, Page 5)	Signed	Prior written consent of CNN required	
LEARNIN	\$0.05	\$0.06	\$0.05		1,647		450,000 by 12/31/91	No specifics regarding ownership.	Signed	No assignment relative to affiliate.	
LIFETIME	\$0.085	\$0.13	\$0.085	802,832	54,849	857,281	1M Subs	Each cable television system now or hereafter more than fifty percent (50%) owned by Affiliate; or in the alternative, at least 25% owned by Affiliate and managed by Affiliate as general manager, and specified in Schedule A attached hereto and made a part hereof (all such systems sometimes collectively referred to herein as "Affiliated Systems"). (P1.1, Page 1)	Proposed	Prior written consent of HAVES required. Requires Affiliate to pay sellers fee for remainder of calendar year of acquisition	1M Rate Card 100K - 1M \$.095

Service	1991 Rates			Subscribers			Benchmarks	Ownership Requirements	Contract Status	Assignment Language	Comments
	Per Second	Per Minute	Joint	Per Second	Per Minute	Total					
MTV	\$0.15	\$0.21	\$0.15	902,231	65,633	967,864	1.5M - \$.145	Each cable television system now or hereafter at least fifty-one percent (51%) owned by Affiliate and specified in Exhibit A attached hereto and made a part hereof (all such systems sometimes collectively referred to herein as "Affiliate Systems"), as said Exhibit A may be amended from time to time hereunder. (P1.1, Page 1)	Proposed	Prior written consent of MTVN required	
NICK	\$0.15	\$0.21	\$0.15	914,010	66,053	980,063	1.5M - \$.145	Each cable television system now or hereafter at least fifty-one percent (51%) owned by Affiliate and specified in Exhibit A attached hereto and made a part hereof (all such systems sometimes collectively referred to herein as "Affiliate Systems"), as said Exhibit A may be amended from time to time hereunder. (P1.1, Page 1)	Proposed	Prior written consent of MTVN required	
NOSTALGI	\$0.08	\$0.12	\$0.08	102,896	6,122	109,018		At least thirty (30) days prior to the launch of Nostalgia on a cable television system owned by Affiliate, or the acquisition by Affiliate of any Nostalgia affiliate cable television system, Affiliate shall notify Network in writing of such launch or acquisition. (P6(c), Page 6)	Proposed	Strict assignment language. See P6(a), Page 6. Requires Affiliate to pay sellers fee for the remainder of the calendar year of acquisition.	Willing to drop rates with increased carriage.

Service	1991 Rates			1992 Rates			Benchmark	Ownership Requirements	Contract Status	Assignment Language	Comments
	Base	Joint	Other	Base	Joint	Total					
SCI-FI	\$0.00	\$0.00	\$0.00				None	"Affiliate's Systems" or "Systems" shall mean each cable television system now or hereafter at least 51% owned by Affiliate or, in the alternative, at least 20% owned by Affiliate and managed by Affiliate as general manager pursuant to a management agreement and as to which Affiliate remains fully liable for all fees incurred hereunder, and listed on Exhibit A hereto, as may be amended from time to time in accordance with this agreement.	Proposed	The rights and obligations of Affiliate under this Agreement may not be assigned or transferred, in whole or in part, nor may there be a transfer of control by Affiliate, voluntary or by operation of law, without the prior written consent of Network, which consent shall not be unreasonable withheld, provided, however, that such approved assignee shall agree to accept and abide by all the terms and conditions of this Agreement.	
TNN	\$0.16	\$0.20	\$0.16	778,562	87,597	846,159	1M - 15% Disc 80% Pen - 15% D Rates to \$.14	... nonexclusive right to distribute Opryland's cable television country theme entertainment service currently entitled The Nashville Network ("TNN") (the "Service") to the subscribers of those cable systems owned, operated or managed by Affiliate as listed on Exhibit "A" attached hereto and such additional cable systems which Affiliate may include hereunder by mutual written consent between Affiliate and Opryland ... (P1, Page 1)	Proposed	Prior written consent required	

Service	1991 Rates			Subscribers			Benchmark	Ownership Requirements	Contract Status	Assignment Language	Comments
	Basic	Adm.	Joint	Basic	Adm.	Total					
TNT	\$0.37	\$0.37	\$0.37	814,605	64,621	879,226		... Affiliate either (a) owns at least 51% of each such Additional System or (b) owns at least 20% of each such Additional System and has full management and operational control of such Additional System whereby Affiliate, at a minimum, has full responsibility for programming and promotional decisions and is fully liable for all fees incurred hereunder. (P10(a), Page 8)	Signed	Prior written consent of TNT required	
TWC	\$0.0852	\$0.092	\$0.0852	947,793	58,783	1,004,576	None	... each of Affiliate's Cable System(s) listed and described on Exhibit 1 hereto on the date hereof or added to Exhibit 1 during the term of this Agreement is (and will remain as long as such system is listed and described on Exhibit 1) either (i) wholly owned (directly or indirectly) by Affiliate, or (ii) a system over which Affiliate has general management authority pursuant to a valid written agreement and in which Affiliate has a 40% or greater equity interest. (Pe(1), Page 13)	Signed	Prior written consent of TW required	Rates: TV Mkts 1-15 - \$.0640 TV Mkts 51+ - \$.106
USA	\$0.225	\$0.24	\$0.225	910,767	67,273	978,040	Unknown	Affiliate has obtained such legal authorization as is necessary to operate each cable television system (hereinafter referred to as a "CATV System") listed in Exhibit I and Exhibit II (each attached hereto and incorporated herein) and to serve the areas listed in such Exhibit I and Exhibit II with respect to each such CATV System (hereinafter referred to singly or collectively as the "Territory"). ...	Signed	Prior written consent of USA required	

Service	1991 Rates			1990 Rates			Benchmark	Ownership Requirements	Contract Status	Assignment Language	Comments
	Basic	Ad	Joint	Basic	Ad	Total					
VH-1	\$0.00	\$0.01	\$0.00	821,975	27,267	849,242	None	Each cable television system now or hereafter at least 51% owned by Affiliate and specified in Exhibit A attached hereto and made a part hereof (all such systems sometimes collectively referred to herein as "Affiliate Systems"); as said Exhibit A may be amended from time hereunder. (P1.1, Page 1)	Proposed	Prior written consent of MTVN required	
WGN	\$0.10	\$0.09	\$0.10	83,113	53,770	136,883	None	Customer is a Cable Television Multiple System Operator (MSO) who owns and operates cable television system(s), defined in Schedule B, which receive the common carrier satellite transmission service of Carrier for delivery of WGN.	Signed	Prior written consent of WGN-TV required.	
WTBS	\$0.025	\$0.0536	\$0.025	948,820	67,790	1,016,610	None	Only systems in which MSO has at least an actual 50% ownership interest, or which are actively managed on a day-to-day basis by MSO under a written contract with the owner(s) and which are located in the United States.	Signed	No specific assignment language.	
WWOR	\$0.10	\$0.085	\$0.10	768,210	27,431	795,641	None	No specific requirements.	Signed	No specific assignment language.	